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ANNEX: Negotiations Begin on Icelandic Fishing Issue

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SPAIN

General Franco has taken a serious turn for the worse, and an early transfer of power to Prince Juan Carlos now seems likely.

A medical bulletin signed by Franco's doctors was issued yesterday, announcing that Franco is showing additional signs of heart failure. Previous, more optimistic bulletins had not been signed by doctors.

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In the face of this development, all major political forces, including the military, reportedly have reached a consensus that Franco should step down immediately. Following a nine-hour cabinet meeting, Prime Minister Arias took Franco the papers that would transfer power to Prince Juan Carlos. Franco, however, was incapable of signing.

If Franco remains unable or refuses to sign the decrees renouncing his position and transferring power to the Prince, his team of doctors may issue a certificate of incapacity. This would permit Spanish officials to initiate the proceedings provided in the constitution. Alternatively, the cabinet, at its scheduled meeting today, could formally recognize his incapacitation. Its finding would then have to be approved by two thirds of both the advisory Council of the Realm and the legislature.

If Franco dies or signs the document transferring power to Juan Carlos, the three-man Council of the Regency will immediately become the collective head of state. Parliament would be convoked within 24 hours or so and informed of the Prince's designation. Within about 48 hours after that, possibly as early as October 27, Juan Carlos would take the oath as king of Spain before a joint session of the parliament and the Council of the Realm.

Intensive maneuvering for the post-Franco period has already begun. Yesterday, Spanish Ambassador to London Fraga Iribarne—long touted as a candidate for the prime ministership after Juan Carlos takes over—returned hastily to Madrid.

According to a US embassy source, Fraga has struck a deal with the powerful minister secretary of the National Movement, Solis Ruiz. Fraga reportedly has promised to take part in a government-supported political association in return for the government's adoption of his program, a major point of which is free parliamentary elections.

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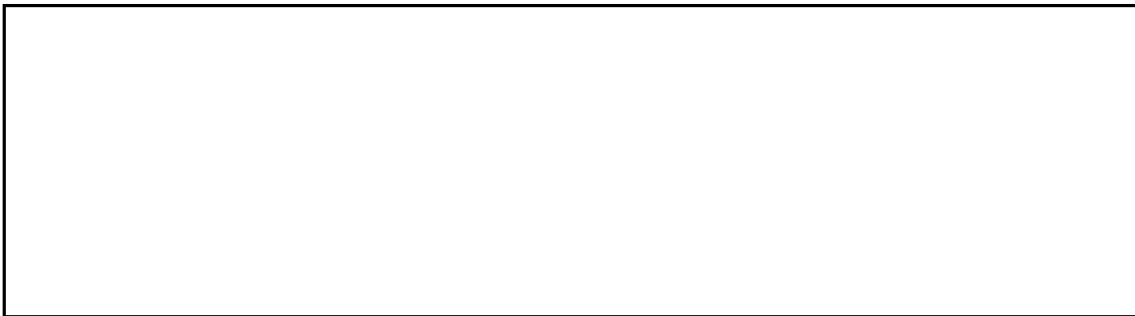
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PORTUGAL

Thousands of radical leftists marched through Lisbon last night in a Communist-sponsored demonstration, but there were no violent or untoward incidents.

The demonstrators called for an end to the current government and the return to power of General Vasco Goncalves, the pro-Communist former premier who was forced to resign several weeks ago.

Despite open talk of a possible coup, the government did not attempt to stop the demonstration. It evidently is still playing for time in its struggle to survive.



In allying themselves with the far left, it is clearly the Communists' present objective to bring down the government by creating sheer chaos and by splitting the Socialists and Popular Democrats, who are its principal bulwarks. Thus far, at least, the two parties are sticking together. The Socialists have roundly denounced the Communists and have said that they too would leave the government if the Popular Democrats were forced out.

The next few days may be decisive for Azevedo. The government's offer of amnesty expires tomorrow, but no armed civilian groups have turned in any weapons. One of the most militant and most heavily armed extreme-left groups, the Revolutionary Party of the Proletariat-Revolutionary Brigades, announced that it will go underground to avoid a government crackdown. General Otelo Carvalho, leader of the internal security forces, said that this decision might mean that the group is planning a coup.

Despite the generally grim outlook, people who support the regime continue to argue that a policy of avoiding confrontation at this time is the right one. In a meeting with Ambassador Carlucci yesterday, the secretary for information claimed that, in trying to provoke a clash, the Communists are leading from weakness.

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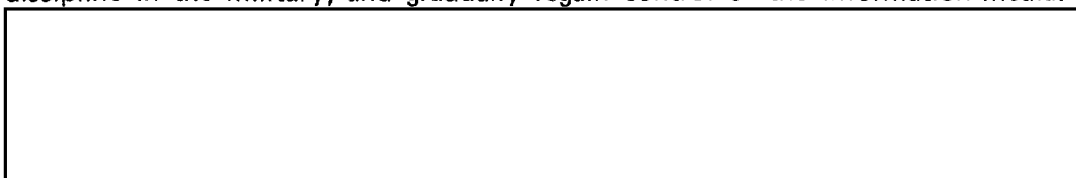
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The secretary also denied that a split had developed among the nine moderate leaders who brought Azevedo to power and said that the government would be moving step by step to purge Communists from the various ministries, restore discipline in the military, and gradually regain control of the information media.

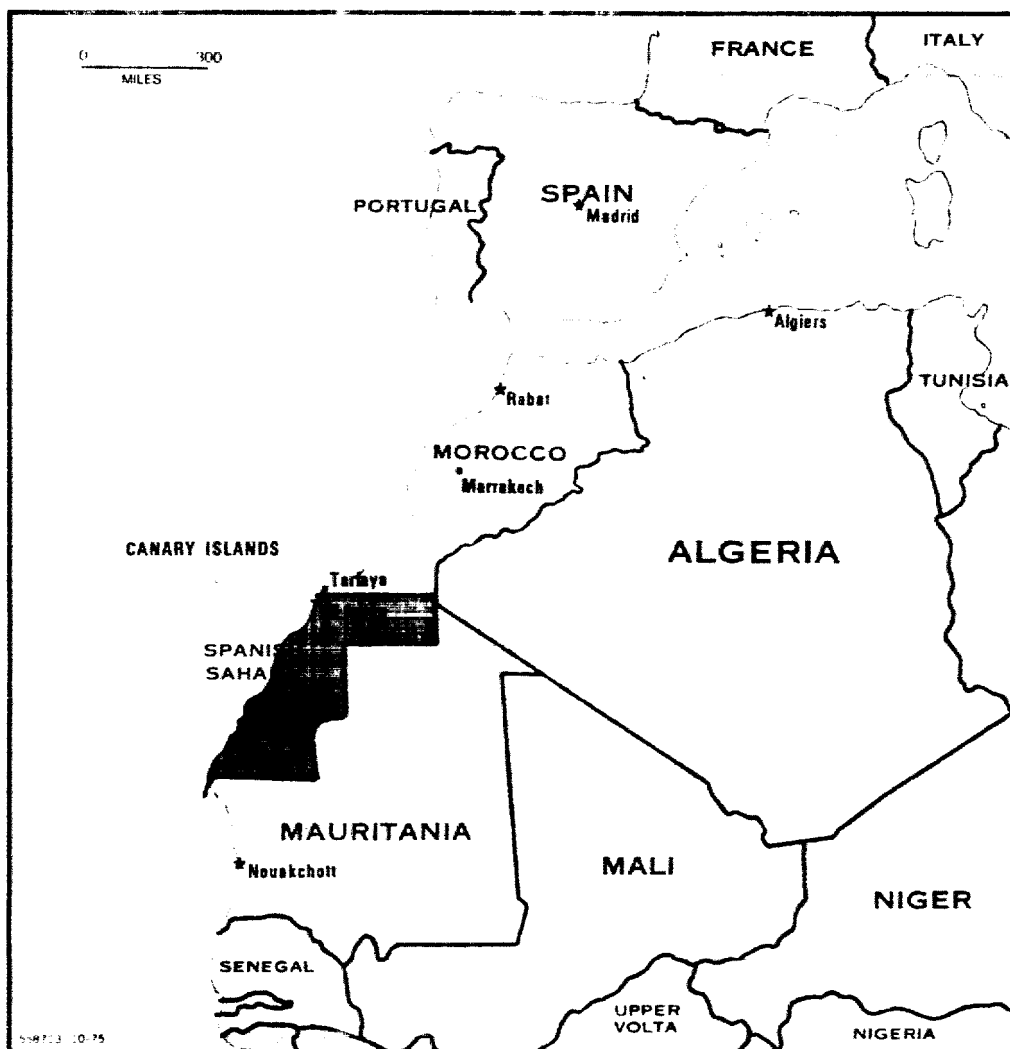
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SPANISH SAHARA

King Hassan, in a brief radiobroadcast yesterday directed at the inhabitants of Spanish Sahara, indicated that he is going ahead with his planned march into the territory.

In his address, Hassan reviewed Morocco's claim to sovereignty over the Sahara. He appealed to the inhabitants to renew their religious and political allegiance to him and not to resist the march by force.

His remarks were clearly directed at members of the Spanish-backed Saharan National Union Party and the Algerian-supported Polisario Front. The two groups, which favor independence for the territory, have announced plans to confront the unarmed marchers at the border.

Hassan did not announce a date for the march. The first contingent may cross the border early next week.

Moroccan contacts with Spain are accelerating. Foreign Minister Laraki arrives in Madrid today to continue talks started in Rabat earlier this week by a Spanish official. Press reports from Rabat claim the two countries have reached a tentative understanding for a partition of Spanish Sahara between Morocco and Mauritania, and that only a "symbolic contingent" of marchers will go all the way to El Aaiun, the capital of Spanish Sahara.

Military Preparations



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There are indications that some Spanish air force and army units on the mainland were placed in early stages of alert yesterday. The US defense attache in Madrid reports that Spain's entire parachute brigade probably is in the Canary Islands and in Spanish Sahara. Madrid also canceled a joint Spanish and French air force exercise on Tuesday, presumably to keep its aircraft at a high state of readiness.

Meanwhile, Mauritania, which hopes to divide Spanish Sahara with Morocco, has publicly supported Rabat's march, but only in principle. On October 20, President Ould Daddah said Mauritania opposes using force to settle the dispute. He is anxious to avoid a military confrontation and is concerned that Hassan's march will create a volatile situation.



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LEBANON

Heavy fighting flared again in Beirut yesterday as efforts continued, without success, to find and free the two US officials kidnaped on Wednesday.

Intense mortar, rocket, and small arms fire began before dawn yesterday and continued throughout the morning in the central and eastern sections of the city. Two Palestine Liberation Organization military officers were killed in Christian areas in and near Beirut on Wednesday night. The Palestinians were not involved in the fighting yesterday, but more fedayeen were in evidence manning barricades. Less radical Palestinian leaders will come under pressure to retaliate.

Beirut radio announced at midday that all roads in the city were unsafe and that, for the first time in this round of the fighting, the Beirut-Damascus road has been cut just outside Beirut. It is the only road out of the capital to Syria and to the mountains, which have been free of fighting. The US embassy reports that its interdiction has added a new element of nervousness among city residents.

Interior Minister Shamun and Prime Minister Karami announced yesterday that "strict" new measures to stop the fighting would be implemented, although neither elaborated. Greater use of the army apparently is not planned; Karami seemed to dismiss the possibility as potentially too destructive.

It now appears that the two kidnaped US officials are in the hands of the radical Popular Front for the Liberation of Palestine. [REDACTED]

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Efforts to locate them have thus far been to no avail. Lebanese security authorities say they have no firm leads, and the Algerian ambassador in Beirut, who has offered his services, has come up with nothing. Fatah says it has no information on their whereabouts. Fatah leaders assisted in bringing pressure on the Popular Front to release a kidnaped US army colonel in June and, the US embassy believes, might be willing to do so again.

On the political front, Karami is coming under attack for his government's inability to handle the situation. Karami himself is at loggerheads with President Franjiyah, who continues to support the intransigent stand of the right-wing Christians. Karami reportedly was threatening to resign in frustration at Franjiyah's obstructionism but was dissuaded by the Syrians.

Leftist leader Kamal Jumblatt is still in Damascus, and an embassy source in Beirut reports that the Syrians are again attempting to persuade him to join the cabinet with Phalangist leader Pierre Jumayyil. Jumblatt has consistently refused to be associated with Jumayyil in a new cabinet. [REDACTED]

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ANGOLA

The Popular Movement for the Liberation of Angola has launched a major propaganda campaign against "foreign intervention" in Angola. Military hard-liners in the Movement probably will try to use the campaign to set the stage for a unilateral declaration of independence, possibly before November 11.

Last night, the Popular Movement ordered the mobilization of all men between the ages of 18 and 35 to combat a force claimed to number nearly 1,000 troops, including mercenaries and regular South African army troops. The force reportedly is led by Daniel Chipenda, a former Popular Movement military commander. Chipenda joined the rival National Front for the Liberation of Angola almost a year ago and has been commanding the Front's forces in central Angola since then.

According to the Popular Movement announcement, the "invading force" has advanced approximately 150 miles into southern Angola. Popular Movement forces in that part of the territory are stretched thin.

The mobilization order and the charge of foreign intervention come at a time when the Popular Movement is beginning to feel heavy pressure from military operations by the National Front in northern Angola and from the approaching deadline for Angolan independence.

In northern Angola, the rival National Front has advanced to within 13 miles of Luanda. Some fighting is now taking place at that point.

The approach of the deadline for independence takes on added importance for the Popular Movement by virtue of Portugal's continued insistence that it will not transfer sovereignty to the Popular Movement alone. The Movement is equally insistent that it is the only liberation group capable and deserving of running the territory after independence. Thus it is attempting to discredit its rivals as instruments of foreign powers and therefore not true representatives of the Angolan people.

The Popular Movement's ability to carry out a successful mobilization campaign is questionable. The Movement has always had strong popular support in Luanda, but its support in the rural areas—and even in the towns of central and southern Angola that it claims to control—seems less certain. There, the Movement's mobilization effort could well bog down.

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USSR-TURKEY

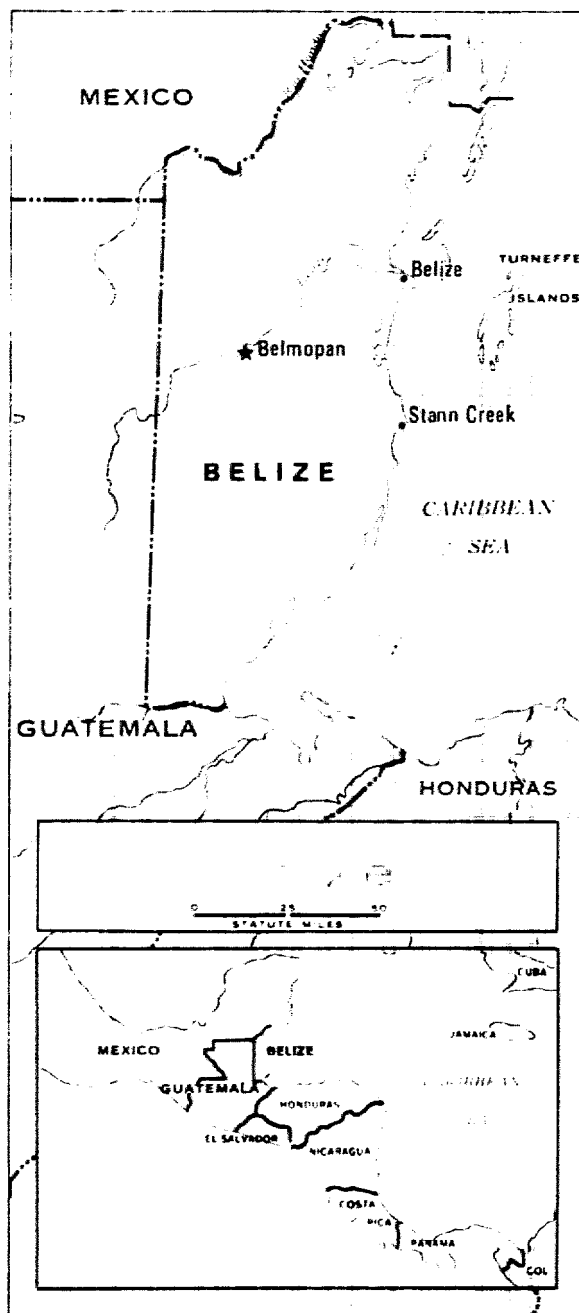
Moscow reportedly is selling Ankara 60 MI-8 Hip helicopters. The Soviets also offered to sell either MIG-21 Fishbeds or MIG-23 Floggers, but the Turks have rejected this offer.

The MI-8 helicopter can be used for either commercial or military purposes, but Ankara's interest in such a large number of them suggests the Turks plan to use them in a military role. The only Soviet equipment now in the Turkish inventory is a small number of trucks delivered prior to 1972.

The Demirel government wants to diversify its sources of military equipment. Ankara is wary of Moscow's intentions, however, and the Soviet performance in resupplying Egypt will prevent Turkey from turning to the USSR as its primary source of weapons.

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GUATEMALA-BELIZE

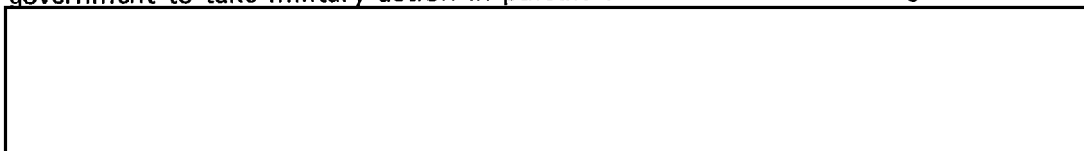
Discussions among officials from the UK, Belize, and other Caribbean countries have produced a draft UN resolution that pays only lip-service to Guatemala's territorial claim to Belize.

Guatemala has previously insisted that its century-old claim be settled prior to Belize's independence. Guatemalan officials have threatened military action if the UK grants independence without settling the claim or if the UN passes a resolution calling for independence without a favorable territorial settlement. The Guatemalan government has recently increased its troop strength from 300 to 500 men at a base near the Belizean border.

The draft resolution calls for negotiations to resolve "differences" with Guatemala, but it insists the territorial integrity of Belize must be preserved. Guatemalan officials are likely to conclude that this provides little, if any, basis for serious negotiations, despite British efforts to convince them otherwise.

The Guatemalan press is aware that the British have reinforced their military presence in Belize, but only one paper has published this information. Guatemalan officials have denied the reports in order to avoid overheating public opinion.

The UN resolution will be debated between November 5 and 8 and will receive heavy play in the Guatemalan media. A vote on the resolution is likely around November 20. Public reaction to press reports of British reinforcements, combined with a diplomatic setback at the UN, would bring heavy pressure on the Guatemalan government to take military action in pursuit of its territorial claims against Belize.



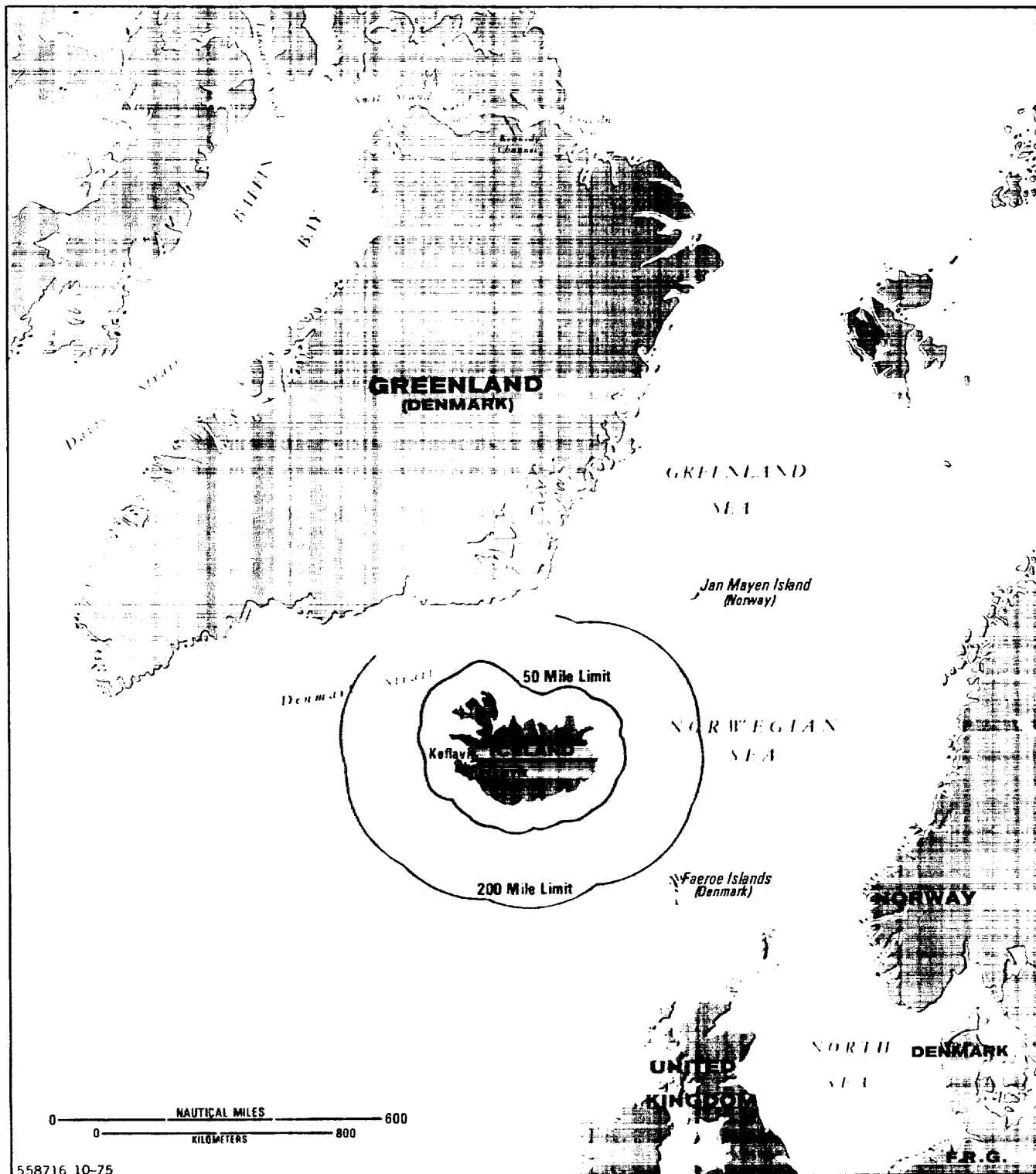
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ANNEX

NEGOTIATIONS BEGIN ON ICELANDIC FISHING ISSUE

Icelandic and British negotiators began another round of talks yesterday in an attempt to reach a new agreement regulating fishing in waters around Iceland. If agreement is not reached by November 13—when the current agreement expires—another round of incidents between British fishermen and Icelandic patrol vessels appears likely. Other countries with strong fishing interests in the area—West Germany, Belgium, Norway, and Denmark—also are planning to seek agreements with Iceland.

The fishing industry is vital to Iceland's economy, and the Icelandic government is sensitive to any developments that might affect the industry's prospects. In addition, public emotions are easily aroused over this issue and Icelandic leaders claim they cannot defend membership in NATO if their allies do not support them on an issue of economic survival. At the time of the last "Cod War" between Iceland and Britain in 1972-73, Reykjavik sought US intercession by threatening not to renew the bilateral defense agreement under which the US operates the NATO base at Keflavik. Although the agreement was subsequently renewed, base opponents are once again becoming active, and Icelandic leaders warn privately that the base will again become an issue.

Economic Background

Iceland derives about 75 percent of its export earnings from the sale of fish and fish by-products, and the fishing and fish processing industries are the largest employers. During the past decade, Iceland's economic prosperity has been increasingly threatened by the expanded operations of foreign fishermen, tougher competition for foreign markets, and declining fish resources.

Reykjavik has for some years tried to control foreign access to its fishing grounds. A 4-mile fishing limit declared in 1952 was extended to 12 miles in 1958, and to 50 miles in 1972. Despite the growing restrictions, foreigners still catch more than half the fish netted around Iceland. In addition, each extension provoked a "Cod War" between the Icelandic coast guard and foreign fishermen that finally had to be settled at the governmental level. Iceland's 1973 pact with the UK was written for only two years because Reykjavik believed that the UN-sponsored conference on the Law of the Sea might set international limits greater than 50 miles. Earlier this year, Iceland announced that it was unilaterally extending its fishing limits to 200 miles on October 15, just 29 days before the pact with the UK expires.

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Talks Begin

At their first round of current talks in Reykjavik on September 11, the British proposed a new agreement along the lines of the expiring pact. The agreement provided for:

- a ban on fishing within a 12-mile limit;
- discretionary Icelandic closure of any of six zones comprising the 12- to 50-mile area;
- fishing "seasons";
- fishing by specific trawlers only;
- an annual catch limit of 130,000 tons.

The British proposed to negotiate a reduction in the catch limit, the number of trawlers, and adjustments in the dates and areas. They want the new agreement to run up to ten years.

The Icelandic team responded that a new pact had to regulate fishing in the 50- to 200-mile zone, and that it had no mandate to permit fishing within the 50-mile area. It agreed that there would have to be sharp cuts in the catch limit and numbers of vessels. The first round of talks adjourned with the two sides still far apart on major issues.

The German Angle

Although the British comprise the largest contingent of foreign fishermen and constitute the principal problem for the Reykjavik government, there have also been growing difficulties with West German fishermen. The main issue is Iceland's refusal to allow large freezer trawlers to operate in its waters. In recent years, the West German fishing fleet has largely converted to this modern, efficient type of vessel.

Reykjavik and Bonn, nevertheless, had a draft agreement in hand in 1974, but it was too controversial for the weak Icelandic coalition to push through parliament. After a series of incidents at sea, Bonn prohibited the sale of Icelandic fish on the West German market and, more important, blocked implementation of a pending Icelandic tariff agreement with the European Community.

In talks with the UK and the Belgians last month, the Icelanders insisted that they would not implement new fishing agreements with any EC member until the tariff agreement is unblocked. Foreign Minister Agustsson subsequently told his

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West German counterpart that Iceland would not even "negotiate" as long as the tariff agreement was in suspension. Following Bonn's decision on October 15 to lift the ban on fish imports, however, Agustsson agreed to begin talks on October 28.

Looking for Help

Iceland has tried to rally international support for its position, but with only modest success. The International Court of Justice did not support the 50-mile limit in 1972. As a result, Reykjavik has adamantly rejected the Court's jurisdiction in such matters. Reykjavik has found a gradually emerging consensus at the Law of the Sea Conference to allow coastal states to determine the allowable fish catches in 200-mile zones. Iceland is particularly encouraged by what it sees as growing support within the US for the 200-mile principle.

Iceland has been disappointed, on the other hand, that the other Scandinavian states have been relatively lukewarm in their support. The Nordic Council last spring limited itself to an anodyne "understanding" of Iceland's reasons for extending the fishing limit. In late September, a Norwegian official added that while the long-run objectives of the two countries coincide, Norway prefers to await the results of the Law of the Sea Conference. Iceland will have to negotiate with Norway and Denmark if both ultimately adopt the 200-mile principle; Jan Mayen Island, the Faeroes, and Greenland are less than 400 miles from Iceland.

View From Reykjavik

The ability of the current Icelandic coalition to negotiate is restricted by history and by domestic political considerations. Past fishing agreements more frequently than not have been negotiated in the wake of bitter disputes over fishing rights, and no previous government has begun negotiations in a spirit of compromise. To adopt an easy line now would leave Prime Minister Hallgrimsson's coalition vulnerable to charges that it is not protecting Iceland's vital national interests. The opposition, indeed, is already charging that the coalition has failed in this regard.

Deep political divisions, the link between fishing and the national economic well-being, and a chauvinism bred of relative physical isolation militate against an easy compromise. By early September, numerous public and private organizations had petitioned the government to allow no foreign fishing within the old 50-mile limit, where most fish are caught, and sharp limitations in the 50- to 200-mile area. The Communist-dominated People's Alliance, the principal opposition party which holds 11 of the 60 seats in parliament, eagerly champions this line. In addition, important elements in both coalition parties, Hallgrimsson's Independence Party and Agustsson's Progressive Party, support this tougher line.

The deep divisions with the Progressive Party have forced the party leadership to delay taking a stand. This failure in turn prevented the coalition from adopting a formal government position, leaving Reykjavik's negotiators for a time in the

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position of listeners rather than bargainers. Hallgrimsson and other Independence leaders privately have been inclined to seek accommodation with the British on continued, but restricted, access within the 50-mile zone. In public, however, they have advocated a hard line for fear of being outdistanced by rank-and-file party members.

Prospects

The differences between Iceland and the UK and West Germany are too great to be resolved in the talks this week. British and German officials believe, however, that all parties are now ready to move quickly and reasonably to agreement. The British further believe that although the talks will extend beyond the expiration of the current treaty, Iceland will not resort to "Cod War" harassments.

We believe the Europeans are overly optimistic. Although Iceland no doubt would like to avoid a new "Cod War," domestic pressures are likely to compel the government to take a harder line than either the UK or the West Germans anticipate. London and Bonn officials apparently are confident that they have the upper hand, a position Icelandic leaders would sharply dispute.

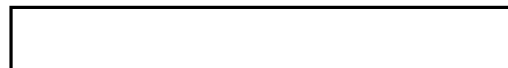
Harassments will become more likely the longer the talks continue. This could inflame emotions on all sides, especially in Iceland, and generate new pressures for US intercession.

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